

Fiscal Services Division

Legislative Services Agency

Fiscal Note

HF 2661 - Linked Investments for Tomorrow (LINK) (LSB 5848 HV)
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Fiscal Note Version – New
Requested by Representatives Miller and Shoultz

Description

House File 2661 relates to the Linked Investments for Tomorrow (LIFT) Program. The Bill eliminates the Rural Small Business Transfer Linked Investment Loan Program, the Horticultural and Nontraditional Crops Linked Investment Program, the Traditional Livestock Producer's Linked Investment Loan Program, and the Value-Added Agricultural Linked Investment Program. The Bill changes the focus of the current Program and the criteria for small businesses to become eligible borrowers for available funding. The Bill also changes the minimum interest rates, the net worth that businesses may have to borrow these funds, and increases the amount the State Treasurer may invest under the Program to the lesser of \$108.0 million or 25.0% of the balance of the State pooled money funds. The Bill is intended to provide an increase in funds to new and existing small businesses with 50.0% of the funding available for women and minorities.

Background

The Program began in 1986 to provide investment in small business in horticulture and alternative crops. The State Treasurer may invest the lesser of \$108.0 million or 10.0% of the balance of the State pooled money funds in certificates of deposit (CD) in eligible financial institutions. The eligible financial institutions lend the invested funds to eligible borrowers. There are currently five loan programs that are eligible under this Program and there are currently 277 loans with a loan balance of approximately \$9.3 million. The current loan balance is distributed among the five programs as follows:

Loan Balances (\$ in Millions)	
Programs	03/01/2006
Focused Small Business	\$ 2.4
Horticulture & Alternative Crops	3.3
Rural Small Business Transfer	0.5
Traditional Livestock Producer's	0.0
Value-Added Agriculture	3.1
Total	\$ 9.3

Assumptions

1. The State Treasurer's Office estimates that it will take most of FY 2007 to implement the changes to the LIFT Program.
2. The current loans and the current borrowers will be allowed to continue in the LIFT Program should the Bill become effective July 1, 2006.

3. The minimum level on interest rate is 1.0%.
4. The amount of investment is the lesser of \$108.0 million or 25.0% of the balance of the State pooled money funds.
5. The discount to financial institutions is 3.0%.

Fiscal Impact

The estimated fiscal impact of House File 2661 can not be determined. The chart below provides a range of LIFT loans and the amount of "Foregone Interest", or interest that the State General Fund would not receive, assuming a deposit by the State Treasurer in a financial institution at a 3.0% discount.

LIFT Loans	Foregone Interest
\$10,000,000	\$300,000
\$20,000,000	\$600,000
\$30,000,000	\$900,000
\$40,000,000	\$1,200,000
\$50,000,000	\$1,500,000
\$60,000,000	\$1,800,000
\$70,000,000	\$2,100,000
\$80,000,000	\$2,400,000
\$90,000,000	\$2,700,000
\$100,000,000	\$3,000,000
\$108,000,000	\$3,240,000

Source

State Treasurer

/s/ Holly M. Lyons

March 14, 2006

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
